



## BUSH CUTS HURT SMALL BUSINESS, COST JOBS

### *Giveaways To Big Business, Cuts to SBA, Loan Program Mean 189,000 Lost Small Business Jobs*

Small business is the heart and soul of America's communities and one of the country's key economic engines. After all, small business represents the best of our nation - opportunity, freedom, economic independence, diversity - while also employing a majority of the country's private sector workers and contributing 40 percent of our GDP.


### **The Bush Administration Favors BIG BUSINESS Over Small Businesses**

During his leadership, President Bush:

- Gave huge tax breaks - even a retroactive roll-back - to the country's biggest and least deserving corporations and CEOs while offering no targeted relief to small business.
- Proposed giving 16 corporations a total of \$7.4 billion in tax breaks, including \$254 million to Enron.
- Slashed the budget of the Small Business Administration (SBA) by nearly 40 percent while increasing the travel budget of the new SBA administrator by more than 100 percent.
- Imposed massive cuts to successful small business loan programs, undermining economic growth and costing \$6.2 billion in lost capital and 189,000 lost small business jobs.
- Demoted the head of the SBA from his Cabinet, thereby removing small business' voice from the table.

For most of the 1990s, small businesses enjoyed - and led - America's economic boom. More than 98 percent of all net job growth occurred in small business and millions of citizens - from all regional and ethnic sectors - became entrepreneurs and started their own small business.

Sadly, in under two years, much of this prosperity has vanished. Consider where we are now: record job losses; weak economic growth; declining business investment; spiraling stock market; shrinking retirement accounts; deteriorating consumer confidence; rising health care costs; escalating bankruptcies and foreclosures;



vanishing surpluses and higher resulting interest costs; stagnating minimum wage. In all, 2.1 million private sector jobs have been lost and millions of people have seen their retirement funds dwindle or completely disappear.

**Here are just some of the ways the Administration's policies are hurting small businesses.**

***Slashing Small Business Financing Availability***

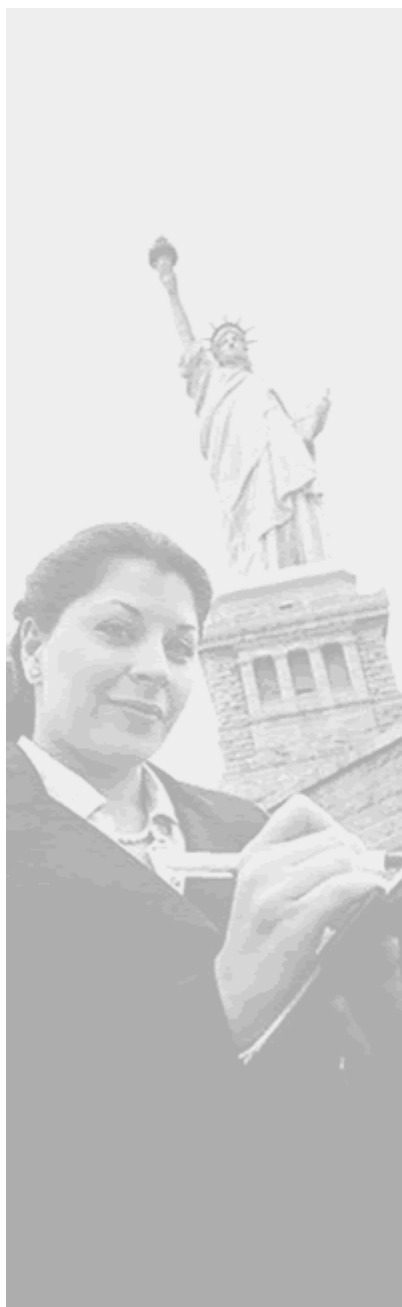
For two years in a row, the Administration has slashed funding for the SBA and proposed budget gimmicks to mask the impact. For the Fiscal Year 2002 budget, the Administration proposed a 40 percent cut to SBA, reducing its budget from almost \$900 million to \$546 million. At a time when the Federal Reserve was reporting it was getting harder and more expensive for small businesses to access loans through the private sector, the Administration proposed eliminating all funding for SBA's most popular lending program, 7(a). This program is the single largest source of long-term loans for small business in the nation, accounting for and estimated 40% of all financing dollars. To make up for these cuts, the Administration has proposed shifting the costs to small business borrowers and lenders who already were paying more than necessary to access and make loans. Congress did restore funding for FY2002 to enable \$10 billion in loans, but the Administration has put the loan program on the chopping block and is seeking a 56 percent cut for the next fiscal year.

These small business loans are one of the best bargains around for the taxpayers. For less than \$2 for every \$100 loaned, the SBA is able to finance about 50,000 small businesses a year, create more than 600,000 jobs and generate millions in business and personal tax revenues. Cutting this program is short-sighted and will hurt small businesses. These loans have competitive interest rates and terms of up to 25 years, which keep monthly payments low enough for small business owners to repay the loans while keeping their businesses going.

Most small business owners agree that access to capital is the number one challenge in starting and running a business. The Administration's massive cuts to the SBA and its loan programs, therefore, must be viewed as a direct assault on the nation's entrepreneurs and small businesses.

***Shrinking Small Business Loan Size***

Making bad policies worse, the Administration has put the lending community on alert that it may cut the individual 7(a) loan limit from \$1 million to \$500,000 in order to stretch the inadequate funding it requested. The Administration's proposal for capping the



SBA's 7(a) loans is spreading panic throughout the small business community because it would cut the amount of money available to an already capital-starved part of our economy. It is particularly bad for high-cost areas which need the larger loans to keep their businesses running. The cap proposal will hurt small businesses in every state because it will increase the cost of loans for borrowers and lenders; it will create an ever worsening situation for FY2004; it will drive lenders away, particularly in high cost areas; and, ultimately, it will limit credit opportunities, especially for those small businesses owned by minorities and women.

### ***Muzzling the Voice of Small Business***

It's no secret that large corporations have been granted unprecedented access to this Administration and its top officials. So, who's speaking up for small business? The head of the SBA certainly is not. Just look at his priorities: while the agency and its critical programs are facing enormous cuts, he's more than doubled his travel budget - from \$3.8 million to \$7.9 million. On top of that, he sat by as his position was eliminated from the President's Cabinet.

### ***Cuts Mean 189,000 Lost Small Business Jobs***

According to the SBA, one new small business job is created or retained for each \$33,000 loaned. The President has proposed a \$6.2 billion cut in the small business loan program which translates to the loss of 189,037 American small business jobs.

[Click here to see a how many jobs each state will lose as a result of the Bush cuts.](#)